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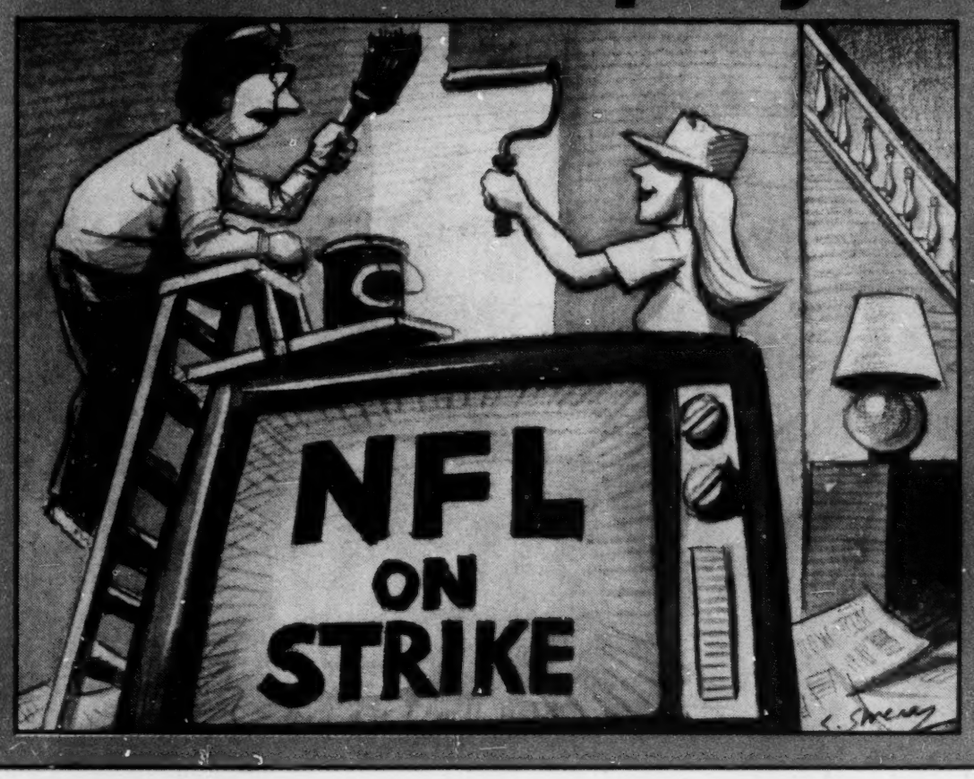
National Home Center News®

Vol. 13, No. 21 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. October 19, 1987

Fans flock to stores while NFL players strike



By Ariane Sains
NHCN staff editor

NATIONAL REPORT — Ordinarily, Chicagoan Vicki McNulty breezes in and out of her local Builders Square on Sunday afternoons in the fall.

But on a recent trip, McNulty found the store mobbed and waited 45 minutes to check out.

"There were no football games to watch," said McNulty, communications manager for Skil. "I guess everybody decided to work on their house. There's no excuse on Sunday anymore."

(Continued on page 71)

Sears develops new group for specialty paint chain growth

By John Caulfield
NHCN staff editor

CHICAGO — Sears reinforced its commitment to expanding its Paint & Hardware specialty chain last month when its merchandising group formed a national division to direct that chain's growth.

It expects to have another 73 stores up and running by the end of next year. Currently, Sears operates 67 P&H units in 17 states, with 10 in Chicago, as well as stores in the suburbs of St. Louis, Mo.; Washington D.C.; Providence, R.I.; Detroit; Minneapolis-St. Paul, Minn.; Denver; and Milwaukee.

Part of its latest growth will include experimenting with inner city P&H stores, including a few in Chicago.

Leading this expansion drive will be Jerry T. Post, whom Sears promoted to national manager of the P&H stores. The 42-year-old Post was national merchandise manager of Sears' sports/fitness center buying department since 1984. Previously, he was group national retail marketing manager for Sears' $4 billion home improvement department.

Post will report to senior executive vp-field G. Joseph Reddington, who indicated that the new national P&H department will autonomously

(Continued on page 72)

Lloyd team combats its operating losses

By Elizabeth Brent
NHCN staff editor

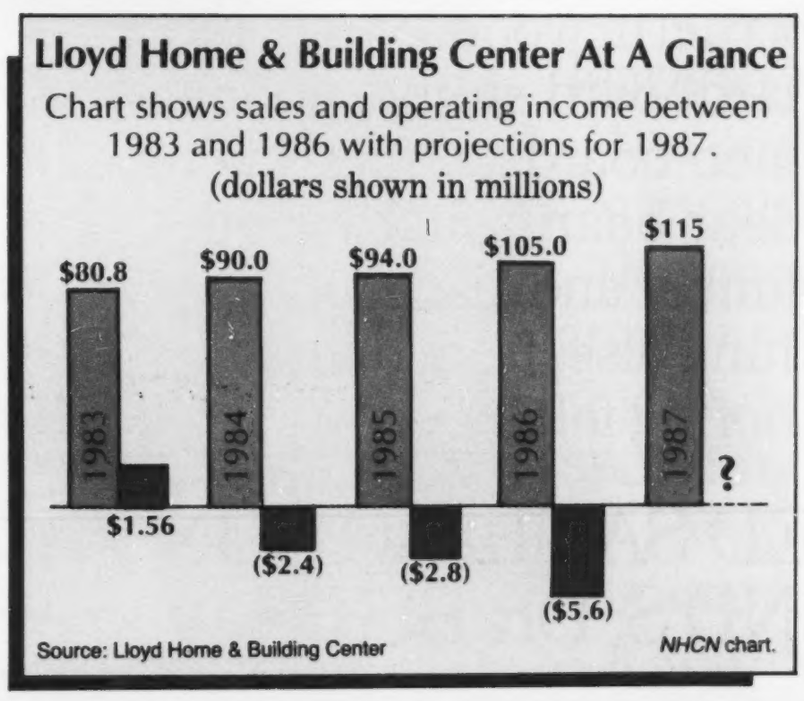
DANBURY, Conn. — With the addition of Michael Lewis as vp-merchandising and advertising, Lloyd Home & Building Centers' president Tom Cawley now has a management team in place to help end the chain's three-year run of operating losses.

Lewis, 43, joined Lloyd Sept. 28 after 10 years at Channel Home Centers as divisional merchandise manager. Prior to that, he spent eight years as a buyer at Rickel Home Centers.

Lewis is the third executive Cawley has brought on board since he became president of the 34-unit chain in February. Bert Tobin, formerly with Macy's at Danbury's Fayre Mall, was appointed vp-personnel in May, and Jerry Morgasen, former senior vp for Caldor's, was appointed Lloyd's vp-operations in July.

"We've now got the team in place

(Continued on page 70)



So. Calif. earthquake rocks local retailers

By Brad Altman
NHCN staff editor

LOS ANGELES — The devastation caused by an Oct. 1 earthquake in Southern California resulted in at least $15,000 in damages to All American Home Center in Downey and forced the temporary closing of one Home Depot and two National Lumber outlets located near the quake's epicenter.

No home centers reported any injuries resulting from the 7:42 a.m. tremblor, which registered a magnitude of 6.1 on the Richter scale.

In the aftermath of the quake—the third largest to hit Southern California in the last 50 years and the most damaging since 1971—home center retailers reported brisk sales as customers jammed stores to buy plywood, plumbing fittings, flashlights and other items related to earthquake

(Continued on page 70)

Wyeth stymies rumors of imminent demise

Max Wyeth

By Gary S. Ruderman
NHCN staff editor

The reports of my death are greatly exaggerated.
—Mark Twain, 1897

ST. JOSEPH, Mo. — Ninety years later, Max Wyeth says the same thing about his company.

The president of Wyeth Co. has been hearing about the imminent demise of his hardware distributorship since January, as the industry is still paranoid from the liquidation of Belknap and the Chapter 11 reorganizations of The George Worthington Co. and S&T Hardware.

A charter member of the Liberty Distributor wholesaler organization, Wyeth has 2,500 accounts in 12 states. But over the last two years, the company has suffered one setback after another: earnings losses, annual sales that have fallen to an estimated $35 million this year from $50 million in 1985, the failure of the bank supplying its line of unsecured credit and the souring of overly aggressive expansion into Texas.

Throughout 1987, rumors flew all over the place about Wyeth, to the point where many felt it was on the verge of bankruptcy last month.

Those rumors hurt William "Max" Wyeth IV, 36, the fifth generation president of the firm which stocked the Pony

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INSIDE

Retailers open door to serious training 27

Associations fill gap with new training options 30

Retailers still not sure flooring is DIY project 34

Masonite goes after repair and remodel market 40

NEWSBREAKS

STROBER TO BUY INDEPENDENT: The nine-store chain said it will pay $22 million for three-unit General Building Supply, East Hartford, Conn., with sales of $43 million.

USG AND ZAYRE TAKEOVER CANDIDATES: The Chicago-based building products supplier is the prey of two Texas millionaires who have bought 9.83 percent of its stock. The Framingham, Mass., retailer is being pursued by developer Edward deBartolo Jr., whose holdings now total more than $15 million.

INDUSTRY UPDATE

Creditors divide HOME assets

CORAL SPRINGS, Fla. — A creditors committee convened for the first time to negotiate the disposition of assets of Home Owners Outlet Mall Exchange (HOME), the home improvement shopping mall operation that filed a Chapter 7 bankruptcy petition to liquidate.

Howard Alabaster, HOME's attorney who filed the petition in early August, said representatives of some of the top 20 largest unsecured creditors met to review HOME's financial status Oct. 2.

Last August, the company filed for liquidation, listing liabilities of $2.2 million and assets of $815,000.

At the same time, some investors who contributed $806,000 in a private placement earlier this year said they are angry that company management refuses to explain how the financing was spent and disturbed that Walter Bozdech, founder of the firm, refuses to respond to their inquiries.

As a result, Mel Grebler, a manufacturer's representative who was one of many investors, said his colleagues are awaiting the appointment of a creditors' trustee before deciding if possible civil action against Bozdech is merited.

American now called ServiStar

BUTLER, Pa. — American Hardware Supply Co. is changing its corporate name to ServiStar Corporation. Since 1976, "ServiStar" has been the retail identity by which the nation's fourth largest buying group has been known. It's the first change in American's 77-year history.

The name change, effective July 1, 1988, was announced at American's six-day Fall Market last month by company president Larry Zehfuss, who said the name American Hardware Supply "no longer adequately describes our business. We are a hardware distributor, lumber and building materials supplier and a full-service, member-owned company specializing in retail sell-through."

Builderama adds two S.C. units

SAVANNAH, Ga. — Builderama opened stores in North Augusta and Aiken, S.C., Oct. 15, bringing the chain total to nine retail and two contractor units.

Both locations are new structures with 30,600 square feet of retail space plus a 10,000-square-foot lawn and garden area. Each store will have 40 employees.

Ziegler celebrates ninth unit

VANCOUVER, Wash. — A grand opening was held Sept. 28 for Ziegler Lumber Co.'s ninth unit, a former 84 Lumber outlet north of Portland, Ore.

Reid Ziegler, executive vp of the Spokane, Wash.-headquartered chain with stores in eastern Washington and Idaho, said the Vancouver facility consists of an 18,000-square-foot showroom plus outside sheds.

PGL quarter revenues up, net off

AUBURN, Wash. — Palmer G. Lewis reported revenues of $58 million for the quarter that ended July 31, up by 24.5 percent from the same quarter in 1986. Net earnings fell 19.5 percent to $383,753.

Gross margin came to 15.7 percent for the second quarter, a drop from 16.7 percent in the second quarter of 1986.

The company added that it would repurchase 250,000 shares of its common stock over the next year in an effort to keep the number of shares outstanding under 4 million.

Home center stocks recover

NEW YORK — Many home center and vendor stocks experienced some relief from their recent price slump during the two weeks that ended Oct. 2.

Of the stocks tracked by *NHCN*, 35 increased in price, while five stayed the same. Nineteen stocks declined.

Strober Organization increased by 15.1 percent to $12.38. Scotty's went up 5.3 percent to $15.00.

National Hardgoods Distributors dropped by 9.4 percent to $7.25. Hechinger A dropped 4.2 percent to $22.75.

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Hechinger's exec. vp Mansfield to retire after 18 years with firm

By an NHCN staff editor

LANDOVER, Md. — Philip J. Mansfield will step down as executive vp for Hechinger Co. here effective Dec. 31, ending an 18-year career with the retailer.

Mansfield's successor has not been named, although the chain announced that his duties "would be reassigned to senior executives currently serving the company." The most likely candidate—senior vp and general merchandise manager Sally Courtney—is now reporting directly to company president John Hechinger Jr.

"The years I've spent with Hechinger have been an experience of a lifetime," said the 60-year-old Mansfield during a telephone interview with *NHCN* on Oct. 5. He has essentially left his day-to-day responsibilities already but will keep his office "for another couple of years" as a consultant with the chain.

Philip J. Mansfield

Mansfield said he would concentrate primarily on "strategic planning," although merchandising and operations could also be part of his consulting responsibilities.

His decision to leave Hechinger was made more than a year ago, he said, with the knowledge of co-chairmen John Hechinger Sr. and Richard England. It was withheld from the rest of the company and the public "deliberately, for morale considerations," he said.

He said he wanted to leave the company now because "my wife and I have myriad things we want to do while we still have our health. So often, people retire but are incapable of pursuing activities for health reasons."

They plan to travel exten-

(Continued on page 71)

Nursery association exec dead at 59

By an NHCN staff editor

WASHINGTON — Robert F. Lederer, the executive vp of the American Association of Nurserymen (AAN), died in Fairfax, Va., on Sept. 26 as the result of a blood clot following heart surgery. He was 59.

Lederer joined AAN in 1959 as an administrative assistant and had held his most recent position since 1965. He had planned to retire in August of next year.

Lawrence E. Scovotto has been named to replace Lederer at the association.

"He is definitely going to be missed by everyone, and left a big set of shoes to fill," said Gene Bunting, president of Bunting Nurseries in Selby, Del., and a close friend of more than 25 years who would duck hunt with Lederer every season.

Bunting, a past president of AAN, described Lederer as the industry's "diplomat deluxe, someone who could arouse people and stimulate them to action. He was involved in so many things that he carried the industry and AAN well beyond what most expected."

Over the past 22 years, Lederer was well known in Washington circles and frequently interacted with the White House as a horticultural consultant. He worked with Lady Bird Johnson on the National Beautification Program in the 1960s, and with Patricia Nixon, who on three occasions served as honorary chairman of AAN's National Landscape Awards Program. Rosalynn Carter and Nancy Reagan have also hosted AAN awards ceremonies.

He had also been a longtime member of the Pageant of Peace Committee, which displays the National Christmas Tree annually.

Under Lederer's leadership, AAN brought under its affiliated umbrella a broad array of disparate "family" members, including Garden Centers of America, the Horticultural Research Institute,

(Continued on page 71)

Beaver launches housewares chain

By Ken Schept
NHCN Editor

TORONTO — The Molson Cos., corporate parent of Beaver Lumber, last month launched a new housewares specialty store chain called Wares & Wares.

The first store opened in an enclosed mall outside of Toronto in the suburb of Scarborough Sept. 22. A second store is set to open next month in Mississauga, another Toronto suburb.

The concept calls for stores of 3,000 to 4,000 square feet that carry glassware, kitchen gadgets, cooking items, "accent" merchandise such as napkins, plastics and hard-to-find hardware. The outlets are expected to be located in malls and shopping centers.

Wares & Wares was developed over the past 18 months, according to John Lacey, executive vp of Molson's retail merchandising group.

After market research suggested that housewares stores have a difficult time attracting male shoppers, Lacey said Molson married a pure housewares offering with a selection of hard-to-find hardware items, some of which the company already sells in one of its other specialty operations, Toronto's Aikenhead's Hardware.

Lacey expects six Wares & Wares to be operating in Toronto within a year. "If they work in Toronto, we'll network [Canada]," he said. In the next few years, he felt the chain could grow to 25 to 30 stores throughout Canada.

Specialty expansion

The housewares venture is the latest manifestation of Molson's strategy to capture a greater share of Canada's home improvement business through growing specialty store companies in market segments not served by Beaver Lumber.

In the past 12 months, Molson acquired Lighting Unlimited and it entered into a joint venture with Germany's Nühaus Kitchen Systems to open Nühaus kitchen stores.

The strategy is reflected in a new management structure. Molson's retail merchandising group is divided into three divisions that report to Lacey. The Beaver division is headed by Jack Bingleman; the lighting division is headed by Seymour Schwartz; and Andy Sibbald oversees new ventures.

The retail merchandising group's current store count includes 200 Beaver Lumbers, 56 Lighting Unlimiteds, and single units in the Nühaus, Aikenhead's and Wares & Wares operations.

The group last year earned $21.8 million (Canadian) from $684.9 million in sales.

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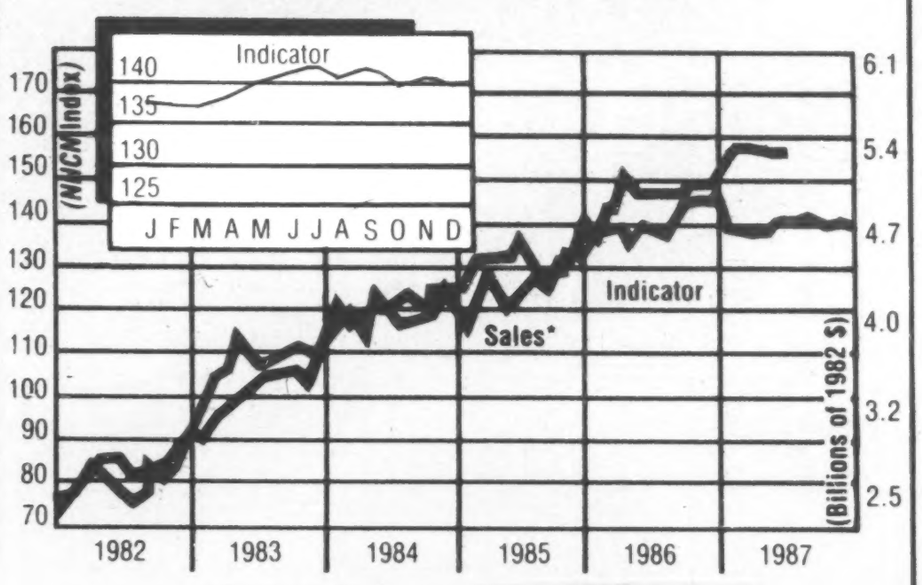
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales are declining in recent months, pointing to a slowdown in sales in the months ahead.

Higher mortgage rates to push bldg. mat'l sales down in '88

By Richard E. Mount
Special to NHCN

Mortgage rates are on the rise again, following the increase in the discount rate by the Federal Reserve on September 4. The discount rate is the rate charged by the Federal Reserve when banks borrow from it.

Mortgage rates were well behaved in August, showing little change from the prior month. But, following the discount rate hike, mortgage rates climbed from 10.3 percent at the end of August to 11 percent at the end of September.

Mortgage rates are likely to continue advancing through 1988, reaching about 12 percent by the end of the year. Inflation is rising slowly, and lenders will want a higher return.

Richard E. Mount

The economy is beginning to accelerate, and faster growth requires increased business borrowings to maintain higher levels of inventories.

Housing to head lower

Rising mortgage rates will soften housing starts and, to a lesser degree, resales in 1988. Potential home buyers will try to limit the rise in monthly mortgage payments by turning to adjustable rate mortgages which have lower rates than fixed. Smaller homes or units with fewer amenities will become more popular, mortgage durations

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	1986		1987				1988				
	QIII	QIV	QI	QII	QIII	QIV	QI	QII	1986	1987	1988
***NHCN* Leading Sales Indicator** (January 1980 = 100)	132.1	137.1	138.6	140.2	141.9	140.4	141.1	142.3	130.4	140.3	142.9
General Economic Outlook											
GNP $1982 Billion	3,718.0	3,731.5	3,772.2	3,793.7	3,814.9	3,838.2	3,862.1	3,886.0	3,713.3	3,804.8	3,896.9
Real Disposable Income $1982 Bil.	2,653.2	2,656.7	2,674.6	2,647.8	2,668.4	2,685.1	2,713.7	2,725.5	2,645.2	2,669.0	2,731.4
Housing Permits (000 SAAR)	1,678	1,695	1,695	1,535	1,550	1,530	1,500	1,490	1,762	1,578	1,483
Housing Starts (000 SAAR)	1,758	1,702	1,795	1,615	1,590	1,560	1,530	1,510	1,806	1,640	1,503
New Home Sales (000 SAAR)	685	712	724	675	650	650	640	630	749	675	623
Resales (000 SAAR)	3,615	3,927	3,617	3,610	3,500	3,475	3,450	3,565	3,565	3,551	3,431
Prime Rate %	7.9	7.5	7.5	8.1	8.4	9.1	9.2	9.4	8.4	8.3	9.6
Mortgage Rate % (HUD)	10.2	9.7	9.1	10.3	10.5	11.2	11.4	11.5	10.2	10.3	11.7
Consumer Price Index (1967 = 100)	328.4	330.7	335.0	339.0	342.3	346.0	350.3	354.9	328.3	340.6	357.3
Producer Price Index (1967 = 100)	288.2	290.2	292.1	296.1	298.5	301.8	305.4	309.3	289.8	297.1	311.3
New Housing Affordability 1980-100)	126.1	128.9	129.2	119.4	111.4	111.9	112.7	110.7	128.3	118.0	109.3
Residential Alterations and Repairs											
Current Total $ millions SAAR	104,400	86,700	92,500	96,910	97,860	98,410	104,020	105,970	91,416	96,420	105,763
Maintenance and Repair	40,600	36,300	37,500	39,850	40,050	39,740	41,960	42,650	35,990	39,285	42,553
Additions and Alterations	44,700	35,400	37,300	38,750	39,320	39,860	42,310	43,120	38,662	38,808	43,048
Major Replacements	15,000	19,100	17,700	18,310	18,490	18,810	19,750	20,200	16,766	18,328	20,163
Constant Total Millions $1982 SAAR	96,100	83,969	80,900	84,410	85,740	87,650	88,750	89,950	82,165	84,675	90,475
Maintenance and Repair	38,900	33,569	32,800	34,710	35,090	35,400	35,800	36,200	32,540	34,500	36,400
Additions and Alterations	42,828	32,737	32,620	35,750	34,450	35,500	36,100	36,600	34,435	34,080	36,825
Major Replacements	14,372	17,663	15,480	15,950	16,200	16,750	16,850	17,150	15,190	16,095	17,250
Retail Trade Activity											
Current Total $ millions SAAR	1,486,596	1,486,648	1,469,808	1,505,100	1,535,502	1,553,368	1,595,093	1,626,306	1,445,875	1,516,444	1,640,899
Total Minus Automobile	1,122,908	1,133,900	1,155,900	1,165,824	1,190,384	1,204,521	12,225,779	1,247,038	1,117,943	1,179,157	1,257,667
Building Material, Hardware, Garden Supply, Mobile Home	88,884	89,488	91,132	89,548	93,591	95,115	96,313	96,901	88,009	92,346	97,198
Building Material and Supply	62,956	64,584	69,660	68,780	72,672	74,560	76,091	77,303	65,529	71,418	77,927
Hardware	11,832	11,748	12,092	12,160	12,564	12,723	12,962	12,979	10,700	12,385	12,986
Constant Total Millions $1982 SAAR	1,389,643	1,381,478	1,346,715	1,361,254	1,375,000	1,379,000	1,400,219	1,413,383	1,359,694	1,365,492	1,418,850
Total Minus Automobile	1,064,708	1,069,709	1,069,597	1,065,327	1,077,000	1,079,000	1,087,172	1,057,076	1,057,464	1,072,731	1,098,765
Building Material, Hardware, Garden Supply, Mobile Home	84,518	83,480	84,277	82,559	85,432	85,963	86,185	85,853	83,303	84,558	85,687
Building Material and Supply	59,866	60,242	64,420	63,411	65,750	66,200	66,300	66,100	60,490	64,945	66,000
Hardware	11,251	10,960	11,182	11,212	11,470	11,500	11,600	11,500	10,640	11,341	11,450
Building Materials % of Total Less Automobile ($Current)	5.61	5.70	6.03	5.90	6.10	6.19	6,21	6,20	5.86	6.06	6,20

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
October 19, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Discount rate increase pushes mortgage rates up

(Continued from page 18)

will be lengthened from 20 years to 30 years by some, and potential new home buyers will shift their sights to the resale market.

Housing starts are likely to decline 8 percent in 1988 to 1.5 million units, lower than the 1.55 forecast before mortgage rates rose in September. Of greater importance for building material retailers, the decline in starts in prior forecasts was concentrated in multiunits which were overbuilt between 1983 and 1985 and were harmed by the 1986 tax-law changes.

With the rise in mortgage rates, the expected weakness will spread to single units which are the more important market for retailers. Resales will be unchanged in 1987 and down only 3 percent in 1988. Existing home sales will not decline as fast as new homes in this rising mortgage rate environment.

The gap between new and existing housing continues to widen. In January 1984, the median resale price was 92.8 percent of a new home; by August 1987, it was down to 79.9 percent. As potential home buyers seek to limit monthly payments, resales become increasingly attractive.

All is not bleak for building material sales in 1988. The overall economy will provide a plus. The economy is expanding, helped by a lower dollar that is boosting industrial production and capital spending. A stronger economy means higher income gains.

While growth has been concentrated in the current recovery on the East and West coasts, rising energy prices, improvements in durable goods production and strengthened farm economies will help the central portion of the nation grow faster.

The consumer, while becoming tired of fueling the current economic expansion, is not ready to rest. With the unemployment rate declining to 6 percent in August, wage gains will improve in 1988. Consumer debt, while high, has been concentrated in the auto sector. Other areas of debt are not as much out of line with income.

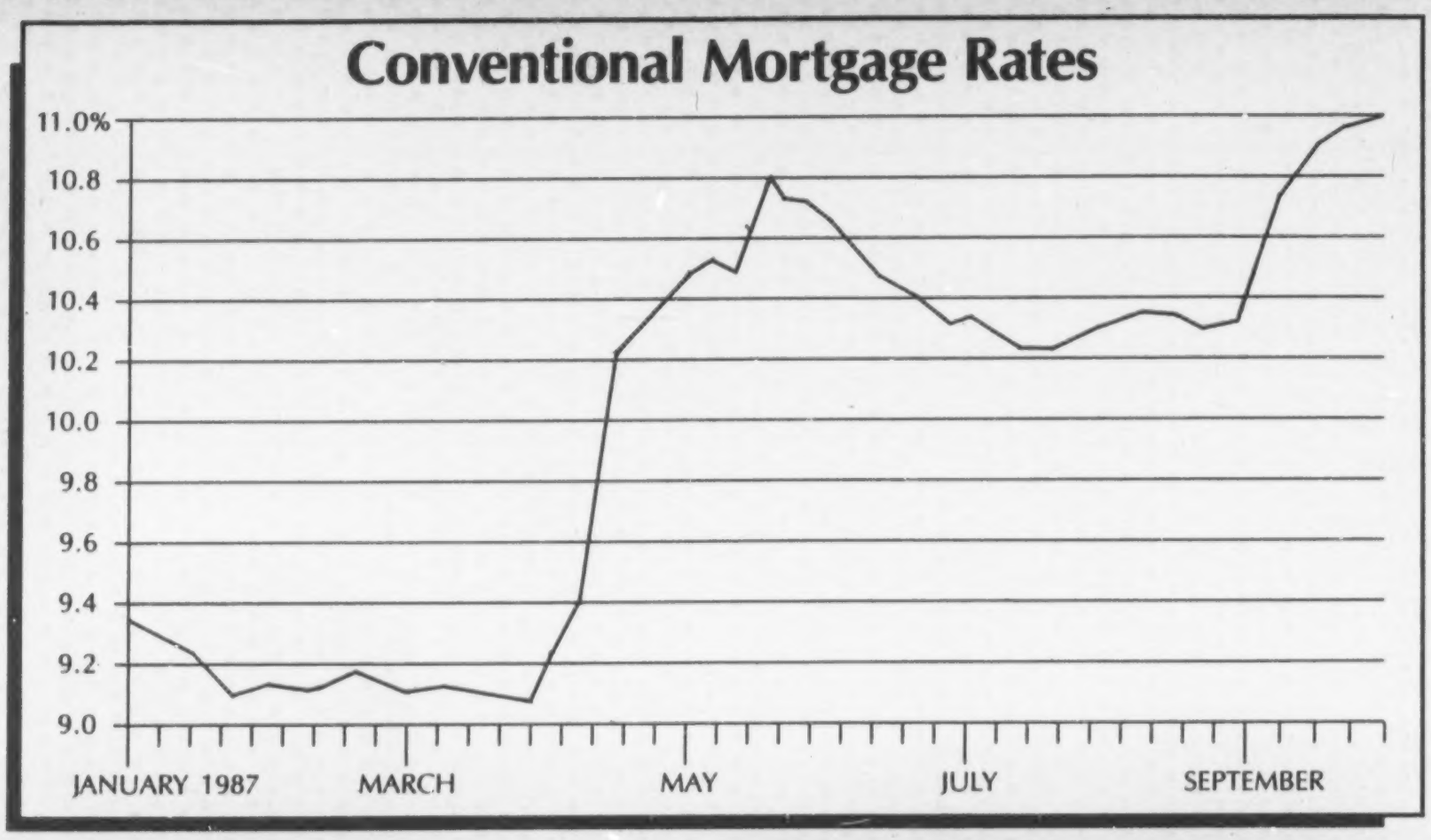
Borrowings for home improvements are one of the few deductibles left to households under the new tax law. Demographics remain strong, and new households need housing.

Building material sales should slow to a 2 percent gain in unit volume for 1988 after 7 percent in 1987. Because of higher inflation, dollar gains for both years will be 9 percent. Sales to builders will be lower as housing starts decline and the average size of new homes decreases.

While resales could be 3 percent less, spending to upgrade each unit after purchase should be higher. As buyers shift from the new homes to resales because of higher mortgage rates, they will want to upgrade the unit somewhat more than the typical buyer of the past few years.

Consumer spending for home improvements, meanwhile, will remain strong as incomes rise in 1988.

Mortgage rates are likely to continue advancing through 1988, reaching about 12 percent by the end of the year.



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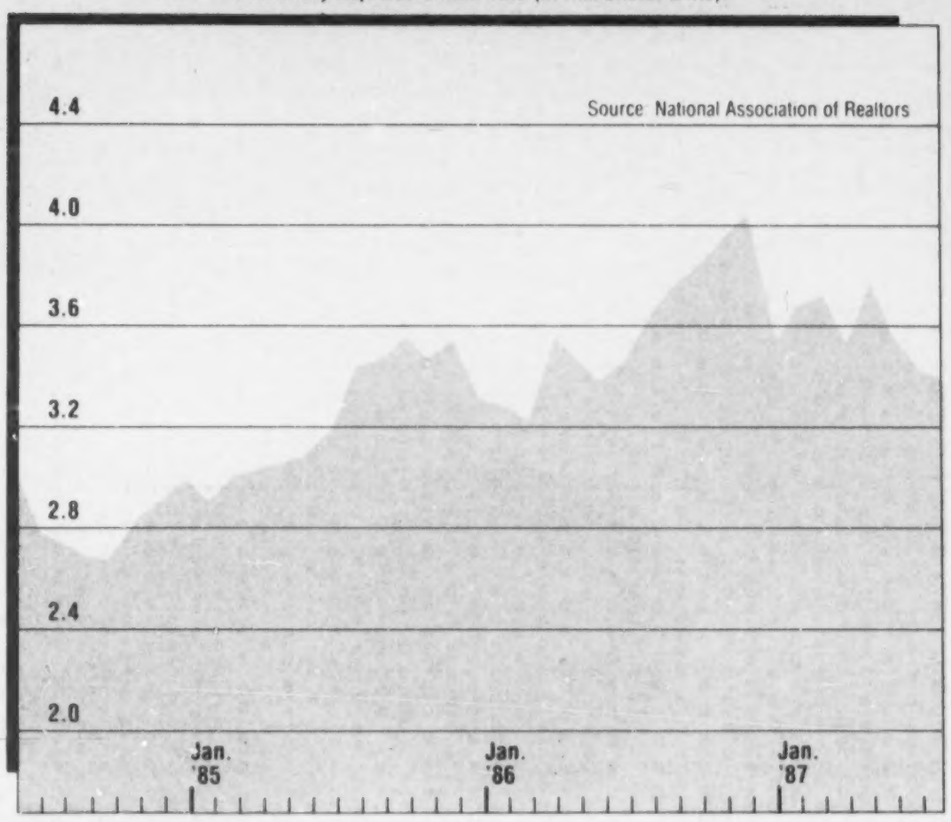
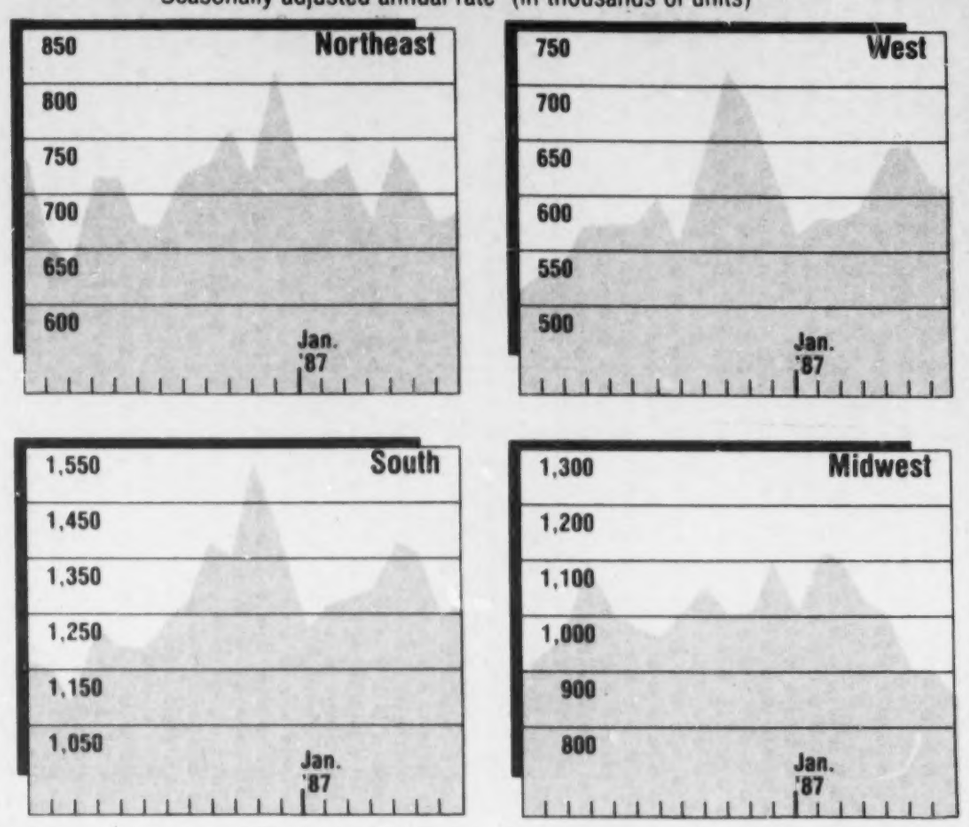
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Aug. housing resales presage downward trend

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — The downward spiral of home resales continued in August, with sales dropping 0.9 percent from July.

Economists predicted the decline will continue through the end of the year, as mortgage rates continue to rise.

"More people were forced to buy less expensive houses, or to abandon their purchase altogether," said John Tuccillo, chief economist for the National Association of Realtors.

He added the market has yet to feel the effect of the recent increase in the discount rate, which the Federal Reserve charges banks to borrow money, and it affects consumer interest rates.

Fixed rates for 30-year mortgage stood at more than 10 percent in August, according to the Federal Home Loan Mortgage Corporation. That's up from a nine-year low of 9 percent in March.

A seasonally adjusted 3.4 million units changed hands in August, down from a revised 3.43 million units in July, the sixth month-to-month decline this year.

Median Sale Price
(in thousands of dollars)

	Aug.[P]	July[r]	June	May
U.S.	$ 85.4	$ 86.2	$ 85.2	$ 85.2
Northeast	134.8	143.2	136.4	132.4
South	79.9	78.4	80.5	81.4
Midwest	66.5	65.9	65.6	66.3
West	105.2	106.7	105.1	103.2

[P]-preliminary [r]-revised
Source: National Association of Realtors

The biggest regional drop was in the Midwest, where 850,000 units changed hands, compared to 900,000 in July. At the same time, the median price of a house in the region rose $600.

The resale slowdown to the lowest pace in two years "could signal a continued severe weakness in the economy in that part of the country," Tuccillo warned.

The Northeast showed a resale increase of 10,000 units.

The cost of a home in the region fell $8,400 from July, bringing the median price to $134,800.

"The drop . . . shows a softer market in an area that has been the hottest in the country," Tuccillo said.

But he cautioned that the median home price in the Northeast is still above the price during the first five months of the year.

The median price in the South was $79,900, up $1,500 from July, but only $200 more than in August 1986. Some 1.27 million units changed hands, only a 2.4 percent increase from July and flat with last August.

In the West, the median price dropped $1,500 to $105,200, but was up $2,300 from August last year. Resales were down 1.6 percent, to 600,000 units.

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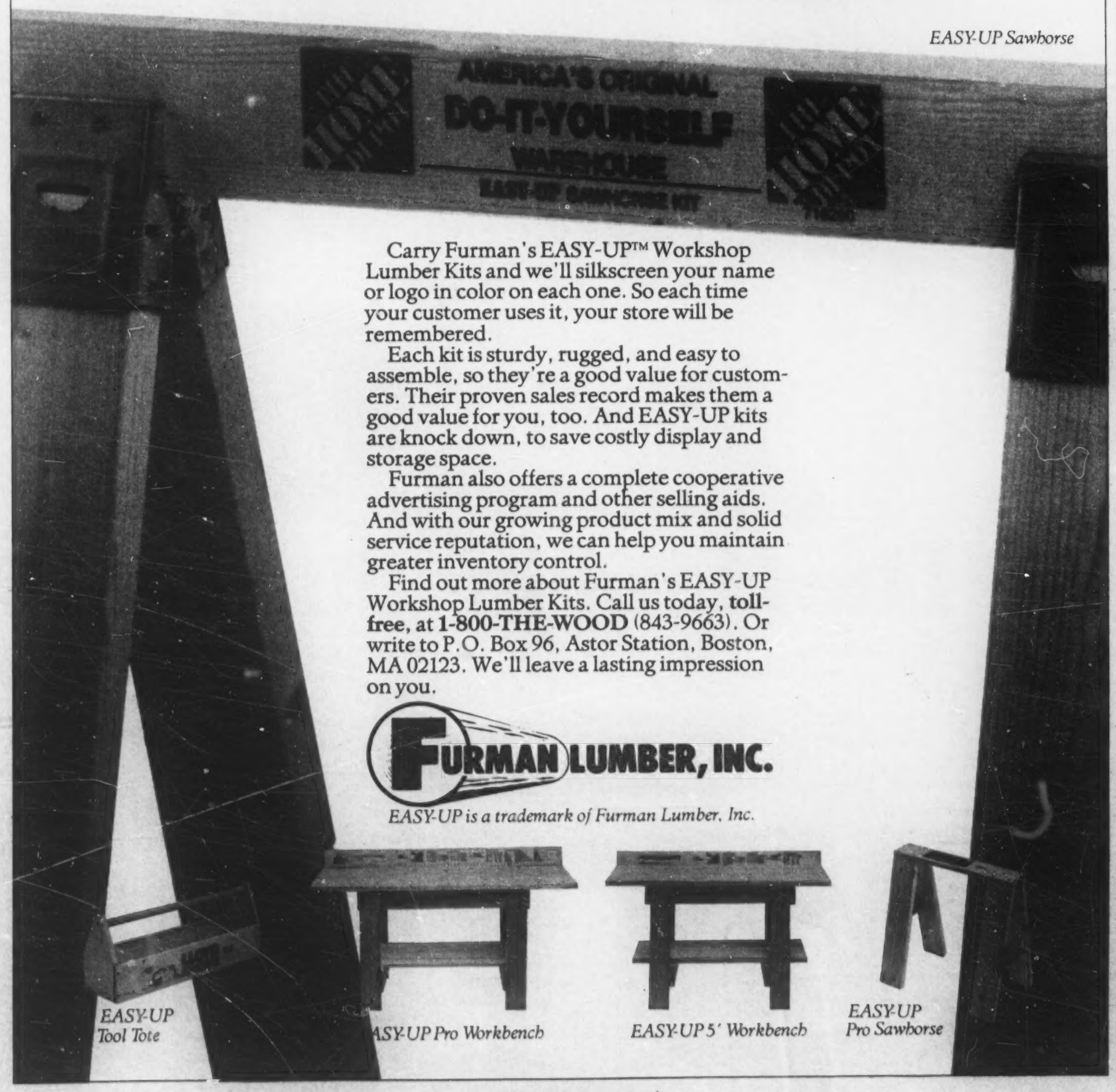

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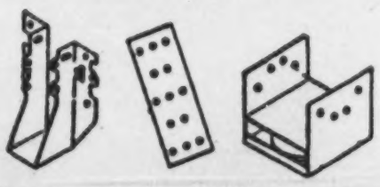

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LUMBER REPORT

British Columbia moves to take control of federal tax on lumber

By Hawk Furman
Special to NHCN

British Columbia has moved on its own to come up with a solution to the current Canadian federal tax on lumber exported to the United States.

The province is attempting to gain control of the federal tax on the provincial timber. The tax was imposed as a result of the United States' decision to impose a countervailing duty on Canadian lumber. That was subsequently headed off by the Canadian federal government by instituting a federal export tax.

The Minister of Forests of British Columbia, David Parker, announced in mid-September a bold new plan that changes all the rules concerning the harvesting of timber in British Columbia.

New provincial program

The proposed provincial plan would effect a full replacement for the federal export tax plus a $100 million increase this year on stumpage charges.

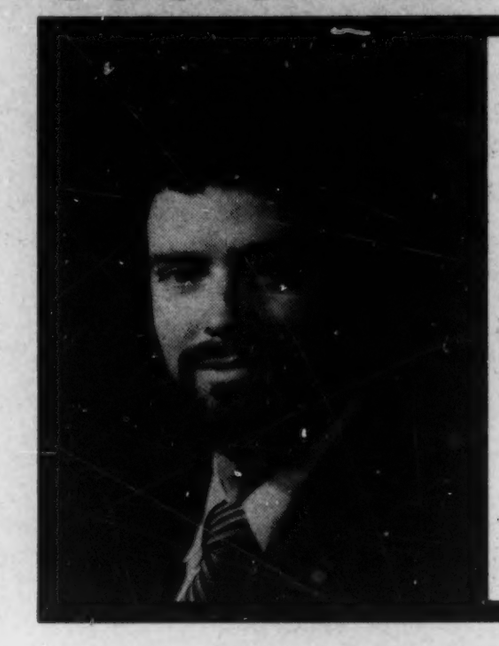
The increase in stumpage fees took place Oct. 1. It's estimated that the new stumpage fee will raise the province's revenues from the Forest Products Industry this year to $680 million, up from $580 million.

According to an article in the *Vancouver Sun*, "Stumpage, the price a company pays for timber, will increase under the new system to an estimated $547 million from an estimated $138 million that would be collected in the current year under the existing system." (All amounts are in Canadian currency.)

The proposed change means the old way of determining values for timber each year based on market prices will vanish. There will now be a minimum fee base.

Other changes

In another major change, the province will no longer be responsible for reforestation or maintenance of provincial timber. The private forest product companies must now pick up the costs. Minister Parker said, "The government will legislate and audit the companies' reforestation activities."



"Forest product executives in British Columbia were shocked and disappointed by the new Canadian forestry initiatives."

—Hawk Furman

Several of the changes include:

- The expansion of harvesting rights by current license holders;
- Doubling the amount of timber available to open markets to allow the smaller companies to compete;
- Allowing the province to recover 5 percent of the allowable cut;
- Establishment of a new agency to monitor log scaling;
- The government can impound and sell off surplus timber of companies that do not cut their full allowance of timber; and
- Forest product companies that keep undercutting for five years in a row will lose their unused share of forest lands permanently.

Forest product executives in British Columbia were shocked and disappointed by the new forestry initiatives. Adam Zimmerman, chairman of MacMillan Bloedel Ltd. and chairman of the Canadian Forest Industries Councils, said, "They've simply kicked the forest industry's advice in the teeth."

Mike Apsey, president of the Council of Forest Industries of British Columbia, concurs, stating that the Ministry of Forests did not ask for or get much input from the forest product industry.

Mr. Apsey added, "I thought this industry had been through all the shock it was going to get over the past two years. . . First we had a 35 percent tax on shakes and shingles, then the lumber tax and now this."

He feels the industry got a double whammy with a stumpage price increase and reforestation costs that include building roads, bridges, replanting and managing the forest on the land they control.

The industry sees higher cost for lumber from British Columbia for all the world markets. Under the federal tax scenario, only lumber shipped to the U.S. was taxed, while under the new legislation, all lumber will be affected no matter where it's destined.

British Columbia's new forestry program has caused its share of confusion. For instance, will the United States accept this as a solution to the countervailing federal tax?

An official in Washington, not wanting to be identified, said, "This can't work. It's a can of worms."

Hawk Furman is president and ceo of Furman Lumber in Boston.

Co-ops show strong growth in lumber

By an NHCN staff editor

EUGENE, Ore. — The sale of forest products by co-ops is three times the amount reported four years ago, a trend that has prompted some of the buying groups to expand their lumber and building material departments, a study by *Random Lengths* concluded.

In its September 25th issue, the lumber newsletter reported that seven of eight co-ops responding to a *Random Length's* poll had combined wood products sales of $730 million in 1986, three times the dollar amount in 1983.

Although the newsletter did not identify any of the co-ops by name, all were described as dealer-owned and ranging in size from 150 to 7,000 members. The buying group supplying the most members with wood products served 1,600 locations. The study found that 21to 100 percent of each co-op's membership handled wood products. The eight responding co-ops reported a combined total of more than 5,800 members who purchased wood products.

As has been reported previously, several of the hardware co-ops—including Cotter & Co., Ace Hardware, American Hardware Supply and Hardware Wholesalers Inc.—have beefed up their lumber and building materials distribution to compete more effectively with the likes of commodities buying groups such as Lumbermens Merchandising Co., Builder Marts of America, Progressive Affiliated Lumbermen and Central Builders Supply.

One of the respondents to the *Random Lengths* survey said that its lumber sales had climbed 20 percent every year since 1983 and were up 40 percent for the first six months of 1987.

In one of the more compelling discoveries, each buying group said its staff of lumber and building material buyers had been increased with fattened budgets. The staffs ranged from four to 15 buyers, with an average of about one buyer per 100 members who purchased wood products.

Random Lengths reported that 80 percent of home centers and lumberyards purchased wood products through their co-ops lumber and building material departments on a monthly or quarterly basis. But less than 10 percent bought all of the lumber and paneling inventories through co-ops.

FINANCIAL NEWS

Home centers face LIFO inventory charge this year

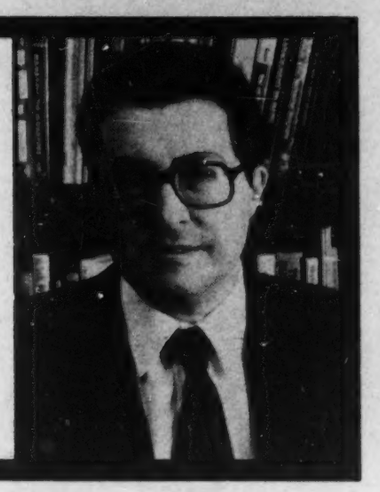
By Phillip M. Perry
NHCN staff editor

With inflation creeping back into the economy, home center operators are starting to wonder if the costs of goods they purchase will have a negative effect on this year's earnings.

Behind the Numbers

If LIFO charges are recorded this year, it will be a notable change. Despite some modest inflation in the overall economy, for the past three years most home center chains have reported deflation, or falling prices, for the average cost of goods sold on their shelves.

Because of the falling cost of goods sold, most home centers using the last-in-first-out (LIFO) method of inventory accounting have been recording higher earnings than they would without merchandise deflation.



Perry

But after five years of an expanding economy, the country is expected to record about 5 percent inflation this year, according to Value Line senior economist Mark Tavel.

"The higher inflation rate might lead to LIFO charges," he says.

Tavel points to the rising cost of energy and lumber, as two factors helping to push inflation higher.

"People are starting to realize the 2 percent inflation of the past couple of years is not sustainable," he says.

The experience of the past three years has shown inflation of modest proportions does not necessarily translate into higher cost of goods sold in the home center field.

Despite modest inflation last year, for example, Payless Cashways was the only publicly held home center company using LIFO to record any kind of charge for higher cost of goods sold. Even there, the LIFO charge accounted for only a single basis point drop in its gross margin. (A basis point equals one one-hundreth of a percentage point.)

Other chains using LIFO actually experienced price deflation for their merchandise, although the gross margin adjustments were small.

Full production on the part of manufacturers, matched by a decline in demand resulting from softening housing starts, is cited as one reason for the fall in cost of goods sold by Cliff Oxford, vp-investor relations at Lowe's.

"Even though prices have been up since this summer, there had been so much deflation in the cost of plywood and commodities, that they are available now for about the same cost as in 1978," says Oxford.

Cost of goods is calculated on the last day of the fiscal year. Occasional blips in prices and supply—such as the recent sharp rise in lumber prices due to shortages this summer—may not have a lasting impact.

Growing pressure from imports may explain a softening in the costs of hardlines.

Home centers believe they will record LIFO charges this year. Dan R. Wewer Jr., of Robinson-Humphrey, Atlanta, says home centers have already factored an average of 2 percent inflation into their cost of goods sold so far this year.

1986 Gross Margins
FIFO Basis

Pay 'N Pak	33.94%
Strober Organization	33.15
Payless Cashways	31.73
Scotty's*	30.74
Hechinger	29.96
The Home Depot	27.50
Wolohan	25.86
National Lumber	25.36
Lowe's	24.36
Median	**29.96**

* Period ended June 27, 1987.
Source: Annual Reports.
NHCN chart.

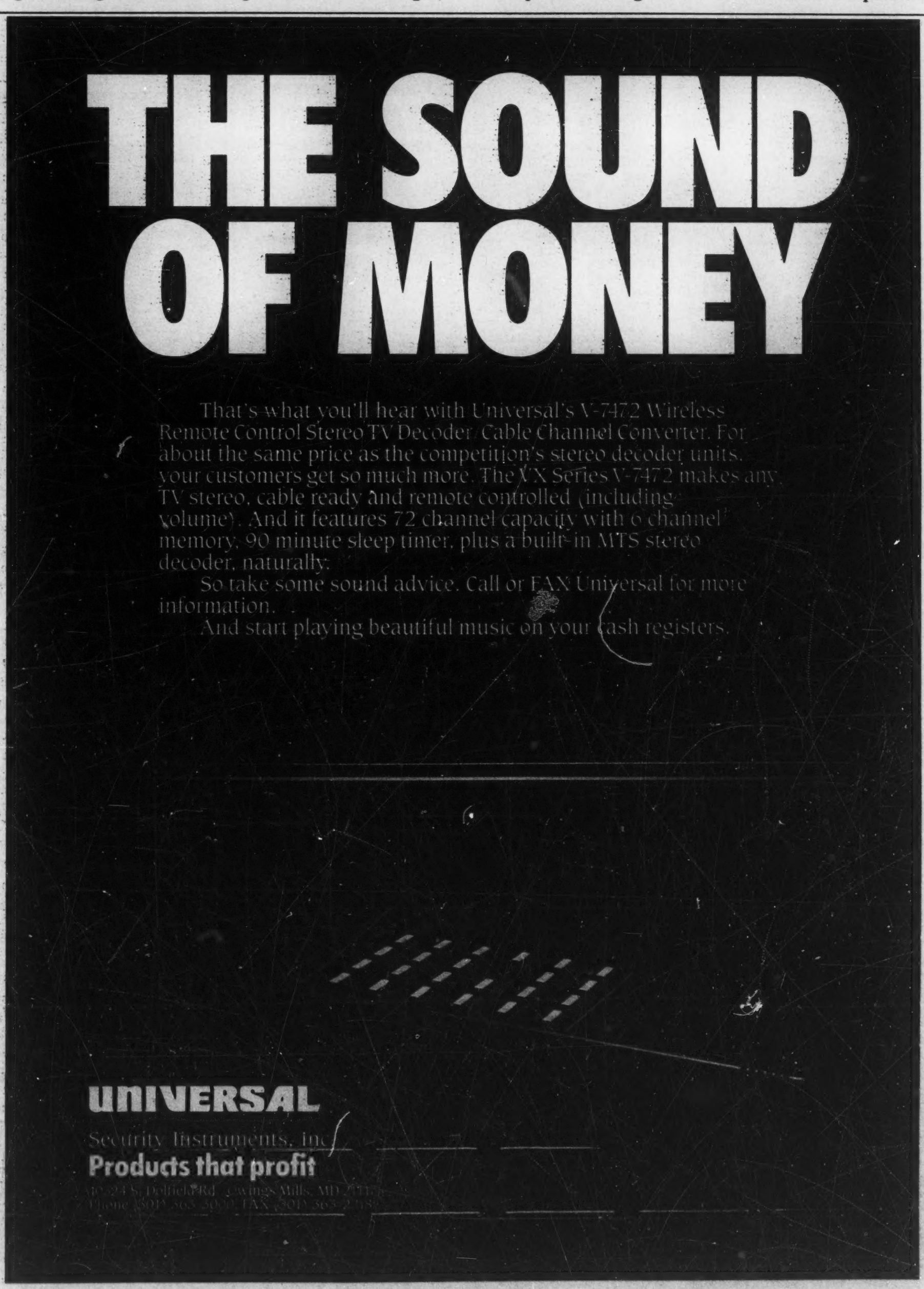
Most of the major publicly held home center companies utilize LIFO accounting. Its purpose is to factor out the results of inflation from inventory. Thus, it provides a better assessment of company performance.

In a group of 10 publicly held building material retailers, only four use FIFO. These are The Home Depot, Pay 'N Pak, Strober Organization and General Building Products.

When the reported results of all companies are adjusted to a FIFO basis (a necessary step for comparability) the median gross margin for the industry comes to about 30 percent. The range is from 24.36 percent to 33.94 percent.

* * *

The bottom line—Most large pension plan funds let external managers decide how to vote shares of stock in the portfolios, according to a new report from Employee Benefit Research Institute, Washington.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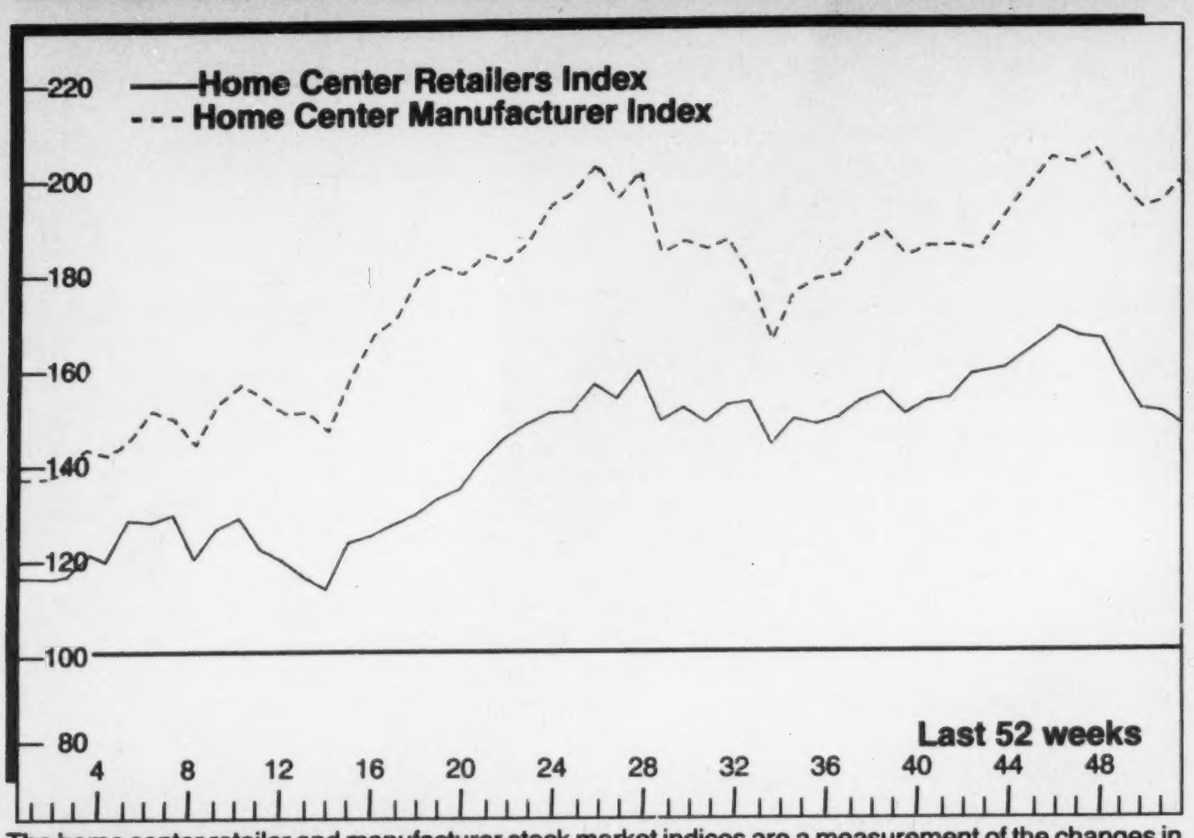
FINANCIAL NEWS

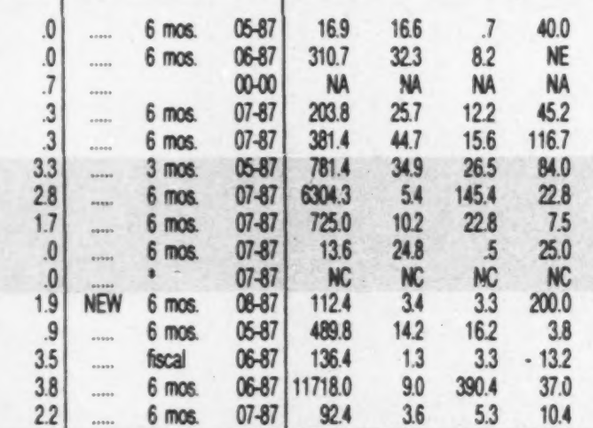


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on February 5, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-2-87		(100)	%	%
Am Woodmark	M	1,332	- 5.2	338.6
Am Consum Prods	M	1,677	3.7	324.7
DeSoto Inc	N	1,268	- 2.2	273.3
USG Corp	N	58,346	27.7	253.3
Home Depot	N	29,217	- 3.2	198.2
Masco Corp	N	39,619	- 3.3	160.9
Scotty's Inc	N	2,401	5.3	160.3
Sherwin-Wms	N	13,355	6.6	140.0
Wickes Cos	N	19,183	- 3.5	135.9
Hughes Supply	N	589	3.7	126.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market		2-Weeks Ended 10-2	2-Week Price Change	Total 2-Week Volume
10-2-87		$	%	(100)
USG Corp	N	52.50	27.7	58,346
Strober Organiz	M	12.38	15.1	1,341
Macmillan Bloedel	M	22.63	12.4	15,709
Champ Intl	N	44.38	11.6	46,471
Armstrng Wrld	N	43.88	10.4	12,033
Zayre Corp	N	32.25	9.3	57,317
Union Camp	N	47.50	9.2	27,401
Triangle Ind	N	43.13	8.5	7,819
Cooper Indus	N	74.13	8.4	15,890
Boise Cascade	N	84.00	8.0	12,868
Losers		$	%	(100)
Supermkts Gen	N	33.88	- 10.0	2,360
Natl Hardgoods	M	7.25	- 9.4	144
Gen Bldg Prods	M	9.50	- 7.3	477
Clairson Intl	M	9.50	- 7.3	1,746
Lewis Palmer	M	8.25	- 5.7	1,207
Hechinger B	M	22.50	- 5.3	813
Am Woodmark	M	11.38	- 5.2	1,332
Hechinger A	M	22.75	- 4.2	9,786
Std Brd Pnt	N	27.13	- 4.0	5,824
Certain-teed	N	40.00	- 3.6	1,204

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price 2-Weeks Ended 10-02-87	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume 2-Weeks Shares Traded Total	Volume 2-Weeks Shares Traded % Out	Volume 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter Revenue Amt.	Latest Quarter Revenue Chg.	Latest Quarter Net Income Amt.	Latest Quarter Net Income Chg.	Latest Quarter E.P.S. Amt.	Latest Quarter E.P.S. Chg.	Year-to-Date Revenue Amt.	Year-to-Date Revenue Chg.	Year-to-Date Net Income Amt.	Year-to-Date Net Income Chg.	Year-to-Date E.P.S. Amt.	Year-to-Date E.P.S. Chg.
-		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																														
Gen Bldg Prods	M	9.50	- .75	- 7.3	10.25	8.75	12.50	9.25	477	1.19	.63	88.9	12.7	.00	.0	.....	6 mos.	05-87	16.9	16.6	.7	40.0	.20	11.1	29.8	24.7	1.0	66.7	.29	38.1
Grossman's Inc	M	8.88	.13	1.4	8.88	8.50	11.25	6.75	8,363	4.18	5.74	- 27.2	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A	M	22.75	- 1.00	- 4.2	23.25	22.50	26.50	16.00	9,786	8.95	6.55	36.6	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	22.50	- 1.25	- 5.3	23.50	22.50	26.75	16.25	813	.51	.23	121.7	20.3	.06	.3	.....	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot	N	24.63	- .81	- 3.2	25.63	22.00	28.09	11.09	29,217	6.62	2.22	198.2	27.4	.08	.3	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.33	73.7	715.4	47.2	28.4	130.9	.62	93.8
INTERCO Inc	N	48.25	- .13	- .3	49.25	47.13	54.00	36.63	7,383	2.58	1.46	76.7	14.7	1.60	3.3	.....	3 mos.	05-87	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp	N	41.25	1.25	3.1	41.50	38.88	48.38	28.84	66,230	3.29	1.75	88.0	12.9	1.16	2.8	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos	N	25.25	- .13	- .5	26.00	24.63	32.75	22.50	10,262	2.59	1.36	90.4	17.3	.44	1.7	.....	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods	M	7.25	- .75	- 9.4	7.25	7.00	10.00	6.88	144	1.06	1.08	- 1.9	9.4	.00a	.0	.....	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0
Natl Lumber	M	5.00	.00	.0	5.25	5.00	7.50	4.00	334	.59	.36	63.9	NE	.00	.0	.....	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak	N	20.63	.00	.0	20.88	20.50	21.50	10.13	323	.32	.37	- 13.5	20.6	.40	1.9	NEW	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5
Payless Cash	N	18.00	- .25	- 1.4	18.75	16.63	26.88	15.88	15,412	4.45	2.13	108.9	14.2	.16	.9	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc	N	15.00	.75	5.3	15.00	13.75	15.88	12.00	2,401	1.64	.63	160.3	21.1	.52	3.5	.....	fiscal	06-87	136.4	1.3	3.3	- 13.2	.23	- 11.5	515.3	4.3	10.3	- 23.7	.71	- 23.7
Sears, Roebuck	N	52.13	.50	1.0	52.75	50.63	59.50	39.00	68,978	1.83	1.05	74.3	12.7	2.00	3.8	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt	N	27.13	- 1.13	- 4.0	28.50	26.50	31.88	20.88	5,824	5.22	7.40	- 29.5	19.7	.60	2.2	.....	6 mos.	07-87	92.4	3.6	5.3	10.4	.48	14.3	171.8	2.9	8.4	3.7	.76	7.0
Strober Organiz	M	12.38	1.63	15.1	12.75	10.50	15.25	10.25	1,341	2.21	1.02	116.7	13.0	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Supermkts Gen	N	33.88	- 3.75	- 10.0	38.00	33.88	46.75	22.50	2,360	.61	.55	10.9	30.8	.31	.9	.....	6 mos.	07-87	1471.3	8.1	3.5	- 82.4	.09	- 82.7	2872.4	6.4	13.9	- 56.8	.36	- 58.1
Wickes Cos	N	17.38	- .63	- 3.5	18.38	16.00	25.00	15.63	19,183	4.01	1.70	135.9	6.0	.00	.0	.....	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	- 15.4	2994.3	42.1	110.1	201.6	2.25	200.0
Wolohan Lumber	M	15.25	.25	1.7	15.63	14.88	18.75	7.75	2,276	3.88	2.51	54.6	12.4	.20	1.3	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp	N	32.25	2.75	9.3	32.75	26.25	32.88	20.75	57,317	9.86	4.84	103.7	11.6	.40	1.2	.....	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																														
Hughes Supply	N	27.75	1.00	3.7	28.00	26.88	30.25	20.63	589	1.77	.78	126.9	12.2	.40	1.4	.....	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley	M	8.25	.00	.0	8.50	8.25	11.75	6.75	49	.20	.68	- 70.6	18.8	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer	M	8.25	- .50	- 5.7	8.75	8.13	9.88	7.25	1,207	3.00	2.08	44.2	22.3	.28	3.4	.....	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc	M	13.50	.00	.0	14.00	12.75	14.00	8.00	366	2.16	1.11	94.6	12.2	.32b	2.4	.....	9 mos.	07-87	15.7	- 4.3	.5	.0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1
Manufacturers																														
Am Consum Prods	M	14.00	.50	3.7	14.00	13.50	14.25	8.50	1,677	8.07	1.90	324.7	20.9	.00	.0	.....	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard	N	52.50	3.25	6.6	52.88	48.25	55.00	38.25	8,552	2.66	1.69	57.4	14.0	1.80	3.4	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark	M	11.38	- .63	- 5.2	11.75	11.38	17.13	10.88	1,332	1.93	.44	338.6	12.6	.00	.0	.....	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld	N	43.88	4.13	10.4	44.50	37.75	47.38	26.13	12,033	2.54	1.88	35.1	15.1	.90	2.1	.....	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker	N	25.38	.75	3.0	25.38	23.63	26.50	15.63	20,367	3.51	2.11	66.4	35.2	.40	1.6	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade	N	84.00	6.25	8.0	85.25	75.25	86.88	57.25	12,868	4.42	2.18	102.8	21.6	1.90	2.3	.....	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1848.2	.2	75.4	33.9	2.47	30.0
Certain-teed	N	40.00	- 1.50	- 3.6	41.63	38.75	45.75	28.63	1,204	.63	.54	16.7	12.7	1.00	2.5	.....	6 mos.	06-87	290.7	1.6	14.8	- 8.6	.77	- 9.4	557.5	3.0	29.3	9.7	1.54	9.2
Champ Intl	N	44.38	4.63	11.6	44.63	38.25	44.63	25.50	46,471	4.93	2.25	119.1	12.3	.80	1.8	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl	M	9.50	- .75	- 7.3	10.25	9.50	18.25	9.50	1,746	3.43	1.86	84.4	22.1	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	.0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus	N	74.13	5.75	8.4	74.13	66.25	74.13	37.75	15,890	3.20	1.50	113.3	23.0	1.68	2.3	.....	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	16.8	1.47	14.0
DeSoto Inc	N	38.25	- .88	- 2.2	39.38	38.25	43.75	37.50	1,268	3.21	.86	273.3	24.5	1.40	3.7	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp	N	26.00	1.81	7.5	26.13	24.13	26.31	15.56	9,996	1.60	1.04	53.8	NM	.80	3.1	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.46	27.8	1231.6	18.7	56.8	42.0	.91	30.0
Georgia Pacific	N	45.50	2.75	6.4	46.13	40.75	52.75	35.63	49,479	4.47	2.35	90.2	12.3	1.00	2.2	.....	6 mos.	06-87	2095.0	8.6	148.0	72.1	1.35	70.9	3950.0	11.8	228.0	96.6	2.06	98.1
Insilco Corp	N	24.50	1.13	4.8	24.88	23.25	28.13	18.69	6,718	3.23	1.50	115.3	15.5	1.00b	4.1	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	.0
La Pacific	N	38.75	1.38	3.7	39.00	37.25	39.75	25.97	11,715	3.06	2.82	8.5	16.0	.80b	2.1	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel	M	22.63	2.50	12.4	22.88	19.63	22.63	8.56	15,709	1.54	.90	71.1	NA	.68	NA	.....	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp	N	3.38	.00	.0	3.63	3.25	5 38	1.63	5,608	2.34	2.81	- 16.7	.8	.00	.0	.....	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp	N	32.75	- 1.13	- 3.3	34.88	32.25	40.88	23.75	39,619	3.00	1.15	160.9	18.9	.40	1.2	.....	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds	M	10.50	- .25	- 2.3	11.00	10.50	14.38	10.50	141	.57	.27	111.1	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co	N	41.00	.63	1.5	41.25	38.38	43.00	25.00	685	.60	.91	- 34.1	17.7	.84	2.0	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc	N	13.50	.75	5.9	14.00	12.13	17.38	11.75	4,190	2.58	1.39	85.6	10.9	.10	.7	.....	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn	N	23.38	1.00	4.5	23.50	19.00	32.38	8.88	27,427	7.32	3.26	124.5	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem	A	16.88	.63	3.8	17.13	16.00	18.13	10.00	1,158	1.04	1.01	3.0	17.4	.12	.7	.....	6 mos.	06-87	82.1	38.9	3.8	58.3	.32	6.7	152.7	39.2	7.1	61.4	.61	8.9
Pope & Talbot	N	24.00	.88	3.8	24.13	21.25	27.25	10.00	3,859	3.21	1.46	119.9	10.9	.44	1.8	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp	N	36.13	1.00	2.8	36.75	34.00	41.88	26.25	4,037	1.51	.99	52.5	13.2	.92	2.5	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds	N	46.50	.38	.8	46.75	44.25	53.50	32.13	29,839	2.50	1.41	77.3	16.1	1.08	2.3	.....	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms	N	34.38	2.13	6.6	34.75	31.75	38.50	23.25	13,355	3.00	1.25	140.0	14.3	.56	1.6	.....	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works	N	34.75	.50	1.5	35.75	32.75	36.63	24.13	5,268	1.24	.61	103.3	17.4	.88	2.5	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds	N	21.25	.38	1.8	21.38	19.50	22.63	15.50	576	.58	.43	34.9	15.2	.68b	3.2	.....	6 mos.	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind	N	43.13	3.38	8.5	44.00	37.75	44.00	24.50	7,819	3.24	1.49	117.4	17.1	.12	.3	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp	N	47.50	4.00	9.2	47.63	41.63	48.19	34.03	27,401	3.72	1.64	126.8	20.4	1.16	2.4	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp	N	52.50	11.38	27.7	53.75	39.75	53.75	31.00	58,346	11.41	3.23	253.3	12.0	1.12	2.1	.....	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim	N	59.38	- .38	- .6	59.63	59.13	62.38	32.41	3,206	.81	5.88	- 86.2	17.0	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Warman Ind	M	12.00	.25	2.1	12.00	11.63	13.25	6.47	1,381	2.18	1.36	60.3	20.0	.10	.8	.....	fiscal	06-87	32.4	17.0	1.3	30.0	.20	- 37.5	117.1	19.7	3.8	35.7	.60	- 33.3
Weyerhaeuser	N	52.88	1.63	3.2	53.50	49.75	60.00	34.63	47,665	3.52	1.91	84.3	21.0	1.30	2.5	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Wyeth Company stymies rumors of imminent demise

(Continued from page 1)
Express and wagon trains heading west.

Asked bluntly if Wyeth was going down, the president shook his head. "No. We don't care about the sales numbers right now. We're looking for profitability." Wyeth is looking to be profitable by this year.

Contrary to its appearance of collapse, Wyeth's condition was far from terminal. Al Cody, national sales vp with Kirkhill Inc., a California plumbing supplier, noted that even with all its disruptions, Wyeth was never more than 15 days off its normal 45-day payment schedule.

As it looks to get back on its feet, Wyeth will depend on the kind of dealer loyalty manifested by Randy Rodgers, general manager of the three Big L Lumber and Home Centers in Oklahoma City, Okla., which have been buying from Wyeth for a decade, even after the distributor's fill rate dropped below 65 percent

"We gave them a chance to correct their problems," said Rodgers, adding that Wyeth's service level is now around 85 percent. "When long-standing relationships evolve, you just don't drop them."

Since Max Wyeth became president in January (his father, William III, is chairman), the wholesaler's management—including the vice presidents of operations and marketing, its chief financial officer and regional managers—have been replaced.

Michael Lissner, an independent consultant brought in to help Wyeth last May, said the wholesaler has paid down its long-term debt in the last year, plowing back $2 million to its lenders—primarily Security Pacific Business Credit and First National Bank and Trust Co.

Since May, Wyeth has trimmed an additional $2 million off its operating expenses by converting assets like its overfunded pension fund and whole life insurance policies to liquid assets, Lissner said.

Also in the last 120 days:

- Wyeth sold off its Des Moines, Iowa, distribution center, gave up the lease on one of its Texas facilities and put its Oklahoma distribution center up for sale. Last year, it closed its two Texas distributors, acquired in 1984;
- Restructured its sales force by firing 40 persons, leaving it with a 60-person staff. In weeding out sales personnel, Wyeth is also evaluating products based on margins;
- Eliminated office personnel and part-time stock pickers from its 500,000-square-foot headquarters warehouse, with full-timers rotating to different areas depending on need;
- Started eliminating smaller retail accounts by scaling back deliveries and instituting higher charges;
- Scheduled payments to 30 percent of those vendors not participating in Liberty-sponsored programs. It asked most vendors to take back slow movers in an effort to trim inventory; some refused. Wyeth now allows retailers to destroy defectives in the field rather than returning them;
- Refined its distribution system after an unsuccessful trial with common carriers to reduce shipping costs, by selling off trucks acquired from its Texas operations, running double-trailer loads from St. Joseph into Texas and Oklahoma, and depending to a smaller degree on common carriers to outlying retailers.

One word describes Wyeth's problems: expansion.

Wyeth had grown through acquisition, picking up eight distributors from 1968 to 1986 and boosting sales to $45 million from $10 million.

In 1984, Max Wyeth moved down to Houston to run the newly acquired $9 million Heitmann Bering-Cortes distributor, with 750 accounts serviced by 24 salesmen and five trucks; and the Austin, Texas-based Walter Tipps Co., with 52 salesmen and sales of $20 million from 3,145 mostly auto supply dealers.

In addition, Wyeth had acquired a break-bulk facility in Conroe, Texas, near Houston. "We had entrance to the fastest growing area of the U.S.," said Wyeth. Wyeth spent an undisclosed amount of money refurbishing these locations.

But in late 1985, when Wyeth needed inventory financing, its hometown lender, the First National Bank of St. Joseph, was declared insolvent, swallowed up overnight by a larger consortium.

This left Wyeth with no longtime banking friend or a credit source.

Then, over the next year, the price of oil fell to $10 a barrel from $31 a barrel and "the glow went off the oil economy," said Wyeth. Sales projections for the Texas operation became meaningless.

The wholesaler reacted swiftly but not popularly. "We laid off people before Exxon did," said Wyeth.

Seeing the need for immediate help, Security Pacific and Wyeth decided to bring in a consultant to make radical changes needed for cash to pay both vendors and lenders.

Lissner, a 47-year-old Chicago attorney, was one of four "turnaround specialists" interviewed by Wyeth; he was brought on in May. (He denies competitors' claims that he is receiving 20 percent of Wyeth's closely held stock as compensation for his services.)

Before extensive cost-cutting measures—from country club memberships to mailing expenses and possibly even wages and salaries—Lissner and Wyeth zeroed in on distribution, eventually closing the Houston-area break-bulk facility and both the Iowa and Oklahoma distribution centers.

During its halcyon days Wyeth had 5,000 accounts, but that number dwindled as the whole energy economy was put on hold in Texas, Oklahoma, Nebraska and Colorado. Wyeth scrambled to consolidate the Texas inventory into its DC in St. Joseph. But the warehouse was bursting at the seams, with "too many avocado toilet seats," Wyeth quips.

Some of these products were bought back by vendors.

Patrick Sher, Mr. HOW founder, dies after battle with leukemia

(Continued from page 6)
then the next you spend trying to figure out how to lick it,' " Van Note added.

Sher entered the home improvement field in 1976, after spending 14 years at Sears in operational and personnel capacities, when he joined what was then Evans Products Co. in 1976.

Over the next three years, Sher was regional vp at Evans' Grossman's chain, where he oversaw the operations in five states.

From 1979 through 1982, Sher was ceo at Lindsley, which at the time operated 43 stores.

He left Lindsley in April 1982 to form HomeOwners Warehouse, a warehouse-style home improvement center. Eventually, the company's name was changed to Mr. HOW Warehouse and it opened its first store, a 70,000-square-foot unit in Coconut Creek, Fla., in March 1983.

Three months later, Sher sold the company for $14 million to Service Merchandise, the Nashville, Tenn.-based catalog showroom chain. He stayed on as president until Feb. 25, 1985, when Sher and executive vp Steve Dougherty resigned after what appeared to be a power struggle with Service's chairman Ray Zimmerman. Last year, Mr. HOW, which had grown to almost 30 stores, was dismantled and sold off as it fell victim to Service's overly-ambitious expansion plans and operational neglect.

In October 1986, Sher and Dougherty opened their first Office Depot unit in Fort Lauderdale, Fla., and had since expanded the operation to seven stores in Florida and Georgia.

Sher is survived by his wife, Gloria, four daughters and one son. Funeral arrangements had not been determined when *NHCN* went to press.

Sears plans additional 73 units for its Paint & Hardware chain

(Continued from page 1)
oversee pricing, promotion, assortment and general administration of the stores.

The company has consistently declined to provide information about these stores' sales or earnings performance, but the most recent expansion plans can be seen, in some respects, as a reflection of Sears' satisfaction with the concept.

The financial commitment that the company needs to accelerate the P&H chain's growth is no where near what it costs the chain to expand its full-sized department stores. The P&H units are mostly in leased sites, for which Sears is paying an estimated $4.50 to $5 a square foot. And company officials have said that once Sears negotiates for a site, it can get a store into operation within 30 days.

Over the past four years, Sears has been fine tuning this specialty store concept, particularly its merchandising. "The stores undergo a constant evaluation of assortment," explained Sears' marketing communications manager Michael Mangan. "The net result has been that the Paint & Hardware stores carry product that best serves the market."

That means that aside from its basic paint and tools mix, a store in Southern Florida would stock recreational gear such as sporting goods.

In those markets with older homes, the P&H units offer an emergency water heater replacement service with next-day installation.

And in a number of P&H stores, a customer who can't find what he came for is able to look up the item in an in-store catalog and phone one of Sears' nearby department stores that will deliver to the P&H unit in 2 to 4 days.

The specialty stores are also going after more contractor business by opening up at 7:30 a.m. and offering discounts.

The P&H store was introduced in March of 1983 when the company opened a 3,300-square-foot unit in Buffalo Grove, Ill., and followed with similarly sized units in Bohemia, N.Y.; Upland, Calif.; Addison, Ill.; and Union, N.J.

The Union store, opened June 29, 1983, in many ways emerged as the prototype for future expansion as it was larger (4,700 square feet, of which 3,500 square feet were used for selling space), carried more stockkeeping units (1,235) and inventory (between $150,000 and $200,000 at cost) than the other stores.

It appeared for a time, though, that Sears wasn't all that excited about expanding this specialty chain, as it only had 12 stores in operation through March of 1986.

However, that month, the company announced its plans to roll out 50 new P&H units over the next nine months. At the time, vp-home improvement John Parsons said that most metro markets in the country "could handle 25 to 30 Paint and Hardware stores."

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 26 times a year, beginning with the second Monday in January; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscriptions are available at no charge to qualified retailers and wholesalers of lumber and building supplies and hardware. Paid subscriptions are available to nonqualifying retailers, manufacturers, other wholesalers, schools, libraries and all others at the rate of $45 per year (26 issues); $45 to Canada. Foreign subscription: Airmail only, $125 per year. Group rates are also available: (prices are per year), 1 to 4 copies, $45; 5 to 39, $41; 40 or more, $37. Single copy rate is $2 except first May issue (Annual Census) and first July issue (Consumer Attitude Study), $15 each.

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Vol. 13, No. 21 October 19, 1987

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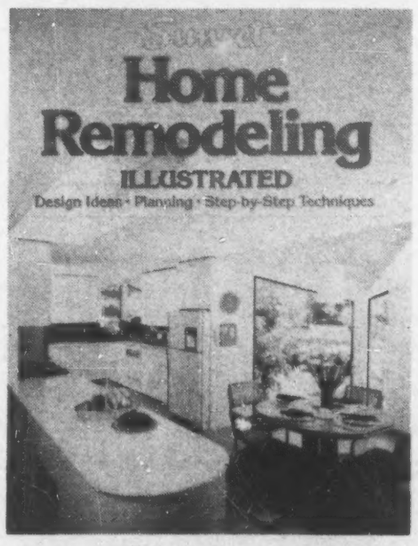

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